

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCT PRICES
PRIORITY MAIL CONTRACTS
PRIORITY MAIL--NON-PUBLISHED RATES
(MC2011-15)

Docket No. CP2011-51

**STATUS REPORT OF THE UNITED STATES POSTAL SERVICE
REGARDING CONTRACT TERM DATA REPORTS**
(March 10, 2017)

The United States Postal Service hereby provides a status report regarding its efforts to provide contract term data reports for certain Priority Mail—Non-Published Rates (PMNPR) agreements that have expired in recent weeks. The Postal Service recognizes its obligation to provide the Commission with complete, accurate contract term data reports within 30 days of the termination date for each PMNPR agreement, and the Postal Service appreciates the Commission's continued patience as the Postal Service works through its data reporting challenges. However, as discussed more fully below, challenges remain with producing data for these agreements using methodology consistent with the Postal Service's existing quarterly reporting mechanisms, within the 30-day window prescribed by the Commission. The Postal Service is today filing the required data for two PMNPR agreements¹ in a separate pleading, to provide an illustrative example of the attempts by the Postal Service to meet the contract term data report requirements in Order No. 661. Moreover, as more fully explained below, as we continue to work through this process, the Postal Service respectfully suggests that the

¹ PMNPR-FY16-JAN16-0046 and PMNPR-FY16-JAN16-0101

Commission consider an alternative approach, such as perhaps substituting a quarterly report requirement for the 30-day requirement.

As discussed more fully in the Postal Service's Motion for Extension of Time, filed February 27, 2017 in this docket, compiling the partial quarter data has been complicated by: 1) the need to use manual rather than established automatic processes to pull the data; 2) the large number of PMNPR agreements that terminated in January and February 2017; and 3) a published price change that occurred that month.² Any given agreement could have different applicable prices for certain cells during its term, and could also terminate on any day of the month.

While all of these challenges are well within the scope of the Postal Service's existing reporting systems, those systems are designed for quarterly reporting, which is not frequent enough to be able to meet the 30-day requirement for contract data term reports for all PMNPR agreements. The Postal Service's existing reporting mechanisms are designed with an ultimate focus on producing quarterly data for each fiscal year as part of the Annual Compliance Review (ACR) process. Establishing a new weekly reporting scheme for the large number of PMNPR agreements that were signed in 2016 raises a number of challenges.³ The unique parameters of the weekly data pull for each contract must be identified, unique queries must be developed, and the data must be validated before it can be prepared for filing with the Commission. It would take the Postal Service a minimum of two to three additional weeks after

² Docket No. CP2017-20, effective January 22, 2017.

³ The Postal Service recognizes it should have attempted to establish a weekly reporting scheme in advance, in anticipation of some of these challenges, in order for the Postal Service to meet its data reporting obligations in a timely manner. However, some of the data reporting issues have only recently come to light with the large number of PMNPR agreements that have terminated.

receiving a weekly data extract in order to review and correct data anomalies, resolve discrepancies, and produce a reliable contract term data report. The data verification and discrepancy resolution process typically involves multiple departments and requires a significant level of coordination among different personnel. The length of this review process could be compounded if data for multiple PMNPR agreements must be reviewed at the same time. With the large number of PMNPR agreements ending in January and February 2017, available resources have had difficulty producing reliable data reports within the Commission's prescribed 30-day window. While the Postal Service is attempting to move as expeditiously as possible to produce weekly reports with consistent data, the transition to a weekly reporting scheme will take more time and incur additional costs.⁴

Furthermore, we are concerned that the relevant Postal Service data systems could produce results which are inconsistent with the quarterly data produced in support of the ACR. The Postal Service has an established quarterly validation process where errors and inaccuracies can be identified and fixed before data are reported to the Commission. Utilizing the data from weekly reports would skip the quarterly validation process and reliance on them would, in the view of the Postal Service, be premature and inadvisable due to potential undetected and uncorrected anomalies contained in them. Many of the discrepancies in the weekly reported data would be corrected by the time the Postal Service submits fiscal year contract data in the NP27 folder in ACR proceedings, based on the established quarterly reporting mechanisms. However,

⁴ The current cost of the Postal Service's quarterly and annual reporting mechanism is approximately \$150,000. To transition to weekly reports for all PMNPR agreements going forward is estimated to add up to \$100,000 per year on top of the existing quarterly reporting cost.

there would then likely be multiple discrepancies between the contract term data reports and what the Commission later reviews in the ACR.

Nevertheless, in an effort to be transparent and compliant, the Postal Service has prepared contract term data reports for two terminated PMNPR agreements (serial numbers PMNPR-FY16-JAN16-0046 and PMNPR-FY16-JAN16-0101). The reports are based on the FY 2017 YTD data pulled thus far, along with the FY 2016 data the Commission already received in Docket No. ACR2016. However, because of the nature of the manual processes used to extract this data, there might be differences between these data and the final numbers reported as part of the annual reporting in the FY2017 ACR for these contracts. Furthermore, the cost reported in these end of term reports will be updated when the FY2017 CRA report is produced, and therefore these end of term reports likely will show a different cost coverage from what is ultimately reflected in folder NP27 in the FY2017 ACR.

The Postal Service will continue to expeditiously investigate the system changes that would be needed to efficiently produce consistent contract term data reports on a more frequent basis. However, as the Postal Service's data processes stand currently, the Postal Service projects that it will not be able to examine the weekly data for consistency with the Postal Service's quarterly data reports until 30 days after the close of FY 2017 Q2.

For the remaining PMPNR agreements that have terminated over the past several weeks, the Postal Service respectfully suggests that it might be more efficient to incorporate the contract term data reports into its current usual quarterly reporting process, rather than providing them on a monthly or more frequent basis only for the

purposes of Commission review, as set forth in Order No. 661 and the Commission's more recent guidance. The Postal Service notes that in PRC Order No. 1161 concerning the Global Expedited Package Services – Non-Published Rates 3 (GEPS – NPR 3) product, the Commission included a requirement that “[w]ithin 30 days of the expiration of each contract, the Postal Service shall file costs, volumes, and revenues disaggregated by weight and country group associated with that contract, including any penalties paid.”⁵ Subsequently, in response to a Motion for Partial Reconsideration, the Commission issued a modified version of that reporting requirement that stated “Beginning with GEPS-NPR contracts expiring in FY2012 quarter 3 and thereafter as well as all future GEPS-NPR contracts, the Postal Service shall file, within 30 days of the end of each FY quarter, costs, volumes, and revenues disaggregated by weight and country group associated with each contract that expires during that quarter, including any penalties paid.”⁶

Since 2011, when the Commission issued Order No. 661, the Postal Service has greatly expanded its use of PMNPR contracts, which conserve both Commission and Postal Service resources by using a model contract instead of a unique Negotiated Service Agreement for which a separate Commission filing (and quick-turnaround review by the Commission) is required. For the reasons described herein, it has proven to be quite challenging to adapt Postal Service data systems to extract, analyze, and review detailed financial information about each of these hundreds of contracts on a

⁵ PRC Order No. 1161, Order Approving Postal Service Request To Add Global Expedited Package Services–Non-Published Rates 3 (GEPS — NPR 3) to Competitive Product List, Docket Nos. MC2012-4 and CP2012-8, January 20, 2012, at 7.

⁶ PRC Order No. 1333, Order on Motion for Partial Reconsideration, Docket Nos. MC2012-4 and CP2012-8, May 4, 2012, at 4.

more frequent (e.g., daily or weekly) basis. We continue to work through these issues but the Postal Service is concerned that the ad hoc reports it would provide in order to comply with the requirement that contract term data reports be filed within 30 days of termination are likely to include inconsistencies that would subsequently be addressed as part of its quarterly reporting cycle. Adjusting to quarterly reporting of this information would help reduce the possibility of inconsistencies, and mitigate the need for duplicative filings of these reports.⁷

Respectfully submitted,

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⁷ The Postal Service will evaluate whether the 30-day deadlines are workable for agreements terminating in months when fewer PMNPRs terminate. Perhaps 30-day reporting can work for months other than January through March of each year. In that case, substituting a quarterly report for agreements terminating from January through March would be sufficient.